

Message Text

LIMITED OFFICIAL USE

PAGE 01 VIENNA 07711 051710Z

62

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 PA-04 USIA-15 PRS-01 SAJ-01 DRC-01

/170 W

----- 037093

R 051609Z SEP 74

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 3670

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS UNN

AMEMBASSY ROME

LIMITED OFFICIAL USE VIENNA 7711

DEPT PASS FRB AND TREASURY

E. O. 11652: N/A

TAGS: EFIN, AU

SUBJECT: SMALL AUSTRIAN BANK FORCED TO CLOSE

(BEGIN UNCLASSIFIED)

1. SUMMARY: SMALL AUSTRIAN BANK, ALLGENEINE WIRTSCHAFTSBANK (AWB) FORCED TO CLOSE, SEPT. 3. AUTHORITIES ATTRIBUTE BANK'S DIFFICULTIES TO POOR MANAGEMENT. BANK HAS IN FACT HAD LONG HISTORY OF DIFFICULTIES. ITS ASSETS ARE INSIGNIFICANT IN RELATIONSHIP TO TOTAL ASSETS OF AUSTRIA'S BANKS. FINANCE MINISTER HAS STATED THAT BANK'S CLOSING IN NO WAY REFLECTS ON SOUNDNESS OF AUSTRIA'S BANKING SYSTEM, A JUDGMENT SHARED BY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 VIENNA 07711 051710Z

LEADERS OF AUSTRIA'S BANKING COMMUNITY.

2. SMALL AUSTRIAN PRIVATE BANK ALLGEMEINE WIRTSCHAFTSBANK (AWB) WAS FORCED TO CLOSE ITS DOORS ON SEPTEMBER 3 FOLLOWING REFUSAL OF GAO AND BANKS TO INTERVENE OT SUPPORT IT. THE BANK HAD TOTAL ASSETS OF AS ONE BILLION (\$50 MILLION). AWB MANAGER ATTRIBUTED BANK'S DIFFICULTIES TO AFTERMATH OF GERMAN HERSTATT AFFAIR, WHICH ALLEGEDLY HAD INDUCED SEVERAL LARGE-SCALE DEPOSITIORS TO WITHDRAW THEIR FUNDS. AUSTRIAN MONETARY AUTHORITIES, HOWEVER, ASCRIBE AWB FAILURE MAINLY TO POOR MANAGEMENT. REPORTEDLY, FOREIGN EXCHANGE SPECULATION WAS NOT INVOLVED IN BANK'S DIFFICULTIES.

3. FINANCE MINISTER ANDROSCH HAS APPOINTED A STATE COMMISSIONER TO ANALYZE THE BANK'S FINANCIAL CONDITION OVER NEXT SIX MONTSH. IT IS EXPECTED THAT THE BANK WILL BE LIQUIDATED. CLAIMS OF SMALL-SCALE DEPOSITIORS WILL BE SETTLED WITH THE ASSISTANCE OF THE LARGE AUSTRIAN BANKS UNDER A SPECIAL "RESCUE SYSTEM" DEVELOPED FOR SUCH PURPOSES BUT APPLIED ONLY ONCE IN POST-WAR PERIOD. CURRENTLY UNDER DISCUSSION IS THE QUESTION OF WHAT CONSTITUTES SMALL-SCALE DEPOSITS IN THIS CASE, WHETHER LIMITED TO AS 100 THOUSAND (\$5,000) OR LESS THAN THAT AMOUNT. TOTAL SAVINGS DEPOSITED WITH THE AWB REPORTEDLY AGGREGATE ABOUT AS 200 MILLION.

4. AWB IS A SMALL BANK EVEN BY AUSTRIAN STANDARDS. ITS BALANCE SHEET OF ABOUT AS ONE BILLION IS PRACTICALLY INSIGNIFICANT IN RELATION TO TOTAL ASSETS OF AUSTRIA'S BANKING COMMUNITY OF OVER AS 600 BILLION. FINANCE MINISTER ANDROSCH STATED THAT THE DIFFICULTIES OF AWB ARE VERY SPECIAL ONES PECULIAR TO THAT BANK. ANDROSCH AND OTHER LEADERS OF THE AUSTRIAN BANKING COMMUNITY HAVE EMPHASIZED THAT THE AWB'S CLOSING WILL HAVE NO ADVERSE EFFECTS ON OTHER AUSTRIAN BANKS. (END UNCLASSIFIED)

(BEGIN LIMITED OFFICIAL USE)

5. IN FACT, AWB HAS HAD A LONG HISTORY OF DIFFICULTIES AND IT HAS NOT ENJOYED A GOOD REPUTATION IN AUSTRIAN BANKING CIRCLES. REPORTEDLY, ABOUT 90 PERCENT OF ITS OUTSTANDING CREDITS WERE EXTENDED TO SOME 23 FIRMS OWNED BY THE MAJOR SHAREHOLDER OF AWB, PETER KRAULAND. KRAULAND IN PERIOD 1945-49 LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 VIENNA 07711 051710Z

WAS MINISTER OF PROPERTY CONTROL AND ECONOMIC DEVELOPMENT (INCLUDING ERP MATTERS). KRAULAND, A MEMBER OF THE CONSERVATIVE PEOPLE'S PARTY KBEVP) WAS FORCED TO RESIGN BECAUSE OF ALLEGED IRREGULARITIES IN OFFICE, ALTHOUGH HE WAS LATER ACQUITTED OF THESE CHARGES. IN 1967 AWB WAS ALREADY IN DIFFICULTIES, WHICH AT THAT TIME WERE OVERCOME WITH THE HELP OF IOS, WHICH ACQUIRED 75 PERCENT OPTION IN THE BANK. AWB SUBSEQUENTLY ACTED AS IOS AGENT IN AUSTRIA. OPTION WAS REPAID HOWEVER BEFORE

THE COLLAPSE OF IOS.

6. THE AWB AFFAIR IS NOT WITHOUT POLITICAL OVERTONES, IN VIEW
OF KRAULAND'S PAST POSITON AS OEVP MINISTER. SOME PRIVATE
BANKERS HAVE RAISED THE QUESTION OF WHETHER PRESENT SOCIALIST
GOVERNMENT WOULD HAVE ALLOWED A BANK TO CLOSE IN SIMILAR
CIRCUMSTANCES IF IT WERE LINKED WITH PROMINETN SOCIALIST POLITICIANS.
IN ANY CASE, IT IS WIDELY BELIEVED THAT THERE IS NO REASON
FOR DRAWING ANY CONCLUSIONS FROM AWB CASE RELATING TO SOUNDNESS
OF AUSTRIAN BANKING IN GENERAL. AS (AUSTRIAN SCHILLING)
19 EQUALS \$1. HUMES

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BANKS, BANK SERVICES
Control Number: n/a
Copy: SINGLE
Draft Date: 05 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974VIENNA07711
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740246-1027
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740971/aaaachtb.tel
Line Count: 126
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 19 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 MAR 2002 by elyme>; APPROVED <16 MAY 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SMALL AUSTRIAN BANK FORCED TO CLOSE (BEGIN UNCLASSIFIED)
TAGS: EFIN, AU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005